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ECONOMIC STABILITY

BR1M as a short-term measure

I REFER to the speech by Prime Minister Datuk Seri Najib Razak at the National Economic Summit and Development (NST, March 8 — “My responsibility is to protect the people”).

I am glad the prime minister has made it clear that he is prepared to put the nation’s long-term interests above his own short-term popularity. Without a doubt, economic stability is vital for political stability.

It seems that the centrepiece of his keynote address is explaining the rationale of the government in undertaking structural reforms, especially in the form of subsidy rationalisation and the introduction of the Goods and Services Tax (GST). These two measures are part and parcel of the government’s National Transformation Policy, under the Economic Transformation Programme.

Subsidy rationalisation is meant to reduce government spending, whereas the implementation of GST will increase government revenue.

Together, they will reduce the government’s debt and deficit levels. GST will be in place on April 1, next year, and so the government’s debt and deficit levels are expected to be reduced further in the near future.

Besides subsidy cuts and GST, the government is also committed to making the public delivery system more efficient and to fight against corruption via the Government Transportation Programme. This is manifested, among other things, through actions taken by the Chief Secretary to the Government on the 2012 Auditor-General’s Report and the introduction of the open tender system on government procurement. Still, the proof of the pudding is in the eating.

In his speech, Najib also delved into steps taken to address the rising cost of living, which is one of the direct effects of the structural reforms being taken. This includes short-term measures, such as Bantuan Rakyat 1Malaysia (BR1M), and long-term ones, such as spendings on public health and education.

Even though, in principle, I agree

with BR1M, I believe it should be maintained as a short-term measure and not a long-term or permanent one.

Although the rise in cost of living is cyclical, it is crucial to embark on other complementing measures in managing rising prices.

These include policies to promote competition, competitiveness, efficiency and production.

In addition to that, salary levels need to be increased in tandem with the rise in living costs, and at the same time, to transform the quality of the education system, as this relates to productivity levels and overall wage rates.

The greatest challenge the Malaysian economy faces is meeting the projected growth level of the economy to break away from the middle-income trap and reach the status of high-income and developed nation by 2020.

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